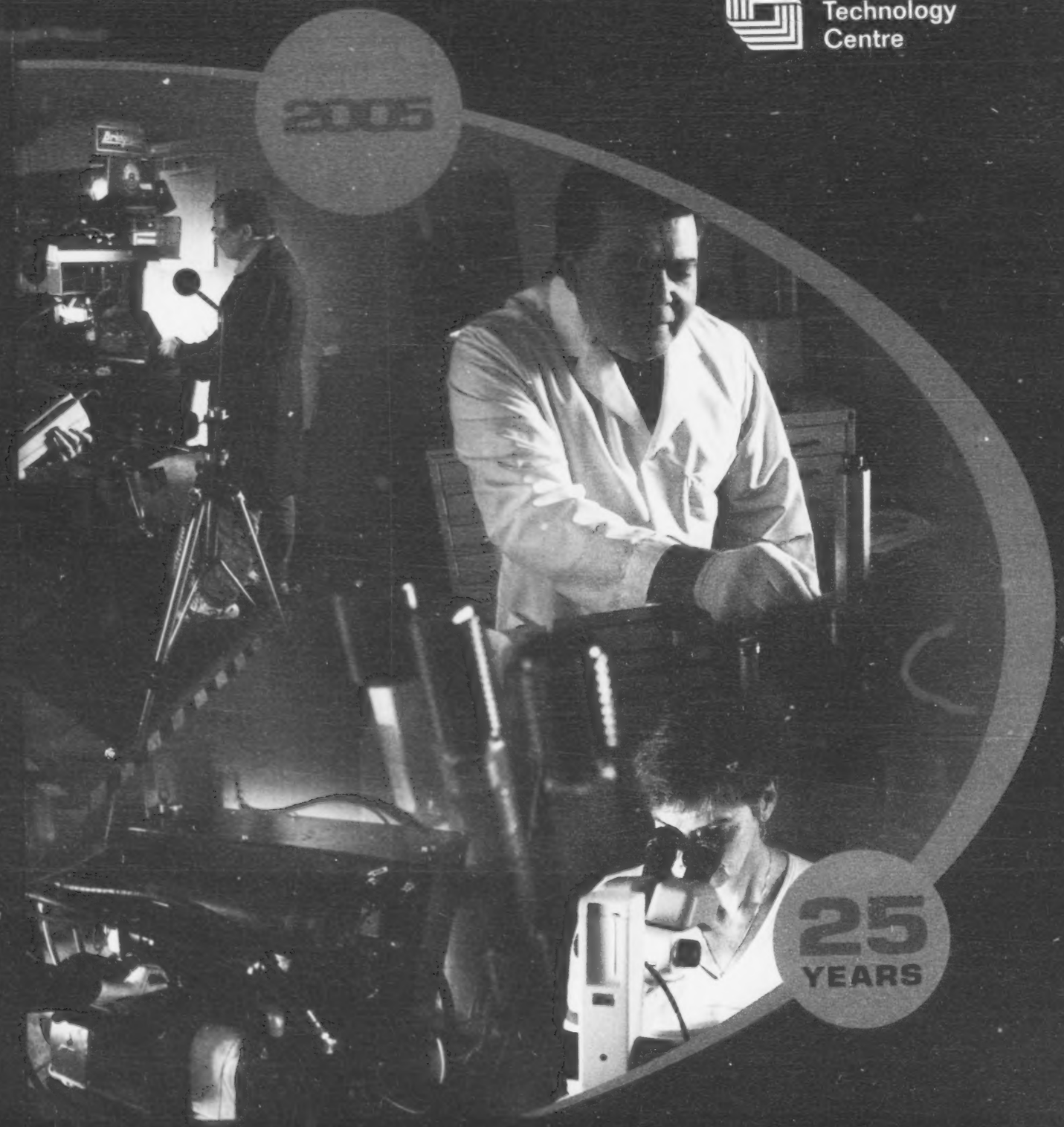
Annual Report

Industrial Technology Centre



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Minister's Letter of Transmittal

June 30, 2005

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I have the privilege of presenting the Annual Report of the Industrial Technology Centre for the year ended March 31, 2005.

Respectfully submitted,

David Chomiak
MINISTER OF ENERGY, SCIENCE AND TECHNOLOGY

Deputy Minister's Letter of Transmittal

June 30, 2005

Honourable David Chomiak
Minister Responsible for the
Industrial Technology Centre
Room 333 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Chomiak:

I am pleased to submit for your consideration the Annual Report of the Industrial Technology Centre (ITC) for the year ended March 31, 2005.

ITC has just celebrated its twenty-fifth anniversary and continues to support technology-based economic development through the provision of a broad range of technical services. These services are primarily focused on Manitoba's manufacturing sector, and client feedback indicates that they are recognized as being high-quality and cost-effective.

ITC is well positioned to play a key role in the "Advanced Manufacturing Initiative" (AMI), in collaboration with a broad range of stakeholders from industry, government and educational institutions. ITC will promote and demonstrate how the adoption of advanced manufacturing technologies can help improve manufacturing productivity.

During the next year, ITC will be relocating to a new facility at SmartPark, where it will broaden its relationship with the education and research communities, and work to strengthen partnerships between industry and the University of Manitoba. ITC's presence at SmartPark will help to build a cohesive manufacturing and materials cluster.

I would like to thank our Advisory Board for their ongoing support and commitment, and all staff for their hard work and contributions that make ITC a continued success.

Respectfully submitted,

John Clarkson
Deputy Minister and Chairperson
of the Industrial Technology Centre
Advisory Board

Message from the Chief Operating Officer

June 30, 2005

On behalf of staff, I am pleased to report on the achievements of the Industrial Technology Centre (ITC) for the year ended March 31, 2005.

ITC has completed another successful year, exceeding financial targets and completing a wide range of projects for our clients. Surveys demonstrate strong customer loyalty and high levels of satisfaction with our overall project performance. The economic development contribution of our services is again very significant, with clients reporting notable impacts including job creation and preservation.

Our commitment to service excellence is demonstrated by continued accreditation by the Standards Council of Canada (SCC) and the Calibration Laboratory Assessment Service (CLAS), as well as registration to ISO 9001. Our clients value the assurance that internal process conformance, compliance to recognized standards and project traceability provide.

ITC installed a cyclic corrosion testing chamber to help the transportation sector and continues to be a key partner in the "Advanced Manufacturing Initiative" aimed at improving the productivity of Manitoba's manufacturing sector. During the next year, ITC will relocate to SmartPark to help build a manufacturing and materials cluster and strengthen relationships with the University of Manitoba.

I would like to thank staff for their hard work, our Advisory Board for their commitment to ITC, and all customers and stakeholders for making ITC such a success.

T. J. Cornell

Trevor Cornell
Chief Operating Officer

1.1 Background

The Industrial Technology Centre (ITC) was established in 1979 and commenced operations as a Special Operating Agency (SOA) of the Province of Manitoba on April 1, 1996. ITC now operates under the authority of Manitoba Energy, Science and Technology (ES&T).

The Deputy Minister of ES&T chairs ITC's Advisory Board, which includes private sector representatives. The Board provides advice regarding ITC's strategic direction, structure, mandate, business practices and financial reporting requirements.

ITC provides a wide range of technical services in support of technology-based economic development in Manitoba. ITC customers include Manitoba industry, entrepreneurs, and government departments and agencies. ITC services are provided on a fee for service basis and under an Economic Development Contribution Agreement (EDCA). The EDCA is a performance contract with ES&T to support ITC's contribution to economic development activities in Manitoba. Clients seeking specific technical assistance may be existing or start-up enterprises, and range in size from individuals to large corporations.

ITC's services are categorized as:

- Technical Information and Advisory Services
- Engineering
- Document Examination Services (DES)
- Virtual Reality Centre (VRC)

The economic development contribution from the Province is used to support technical information and advice, library services, and infrastructure for testing, product development, and the Virtual Reality Centre. These services support SMEs (small and medium-sized enterprises) that have limited R&D resources.

1.2 Vision, Mission and Goals

ITC's vision is

" To be recognized as the best resource for solving technical issues for the benefit of Manitoba."

ITC's mission is

" As a team and in partnership with our customers, we are committed to provide creative technical solutions for the economic development of Manitoba."

ITC's goals, essential to fulfillment of its mission, are as follows:

- To help our clients anticipate, identify and apply appropriate technologies
- To support and contribute to economic development in Manitoba
- To sustain and enhance client relationships by providing high-quality, valued technical services
- To achieve long-term economic viability
- To cultivate a work environment that promotes employee achievement, creativity, initiative and growth.

" They're a pretty innovating group and they're responsive to solving technical problems."

Client survey response

"A very good comprehensive report. It shows a high level of professionalism and attention to detail. I'm looking forward to the next time we can work together."

Rick Cole, P.Eng.
BRISTOL AEROSPACE LIMITED

1.3 Service Lines

Technical Information and Advisory Services

ITC plays an important economic development role in Manitoba by providing technical advice and assistance to Manitoba industry, entrepreneurs and government departments and agencies. ITC is recognized as a critical part of the technical infrastructure required to help individuals and companies increase their competitiveness by developing new or improved products and processes. All ITC's technical staff provide technical information and advisory services (Technology Transfer) on an as requested basis.

ITC helps clients to define and understand technical issues, to develop methods of solving technical problems and frequently assists in the implementation of solutions. In support of these activities, ITC uses its network of contacts and experts across Canada for technical advice and assistance that may not be available in Manitoba.

ITC has a technical library that provides crucial information and support to ITC staff and clients. The library houses a comprehensive collection of books, journals and reports in areas such as manufacturing, product and process engineering and materials. A range of industrial directories, guides and catalogues assist clients in sourcing components, equipment and services. ITC also has access to many worldwide databases, and has a public Internet access terminal for clients to source technical data.

ITC continues to develop its "Excellence in Manufacturing" Information Centre, which provides an enhanced library collection in current and new manufacturing technologies and philosophies, such as "Lean Production". ITC also publishes a biweekly manufacturing newsletter and a monthly technology update.

Customers include inventors, entrepreneurs, and companies in most manufacturing sectors in Manitoba. Easy access for the public, on-line links to international databases and skilled staff make ITC's library an invaluable resource.

Engineering

Mechanical Testing

Mechanical Testing services are categorized as either Standard or Custom, defined as:

Standard Testing: Those tests that may be described as routine and undertaken (or priced) on a per sample basis. Tests include the measurement of such properties as hardness, impact resistance and strength. The Materials Testing Laboratory has been granted accreditation by the Standards Council of Canada (SCC) for specific tests, which is recognition of ITC's high standard of competence and credibility.

Custom Testing: Testing for which there may be no defined standard. ITC staff will help the client determine what properties or parameters are to be tested, and will identify or develop appropriate procedures to meet testing requirements. Examples include:

- Testing products or materials when no industry standard exists
- Testing components in their service environment

Dimensional Calibration

ITC is the only facility in Western Canada to offer accredited dimensional calibration services. The Calibration Laboratory Assessment Service (CLAS), jointly administered by the SCC and the National Research Council (NRC), has accredited and certified our calibration laboratory's technical capabilities and quality program.

Calibration services include the dimensional calibration of gauge blocks, micrometers, calipers, thread wires, thread plugs, thread rings, plain ring and plug gauges, discs, pins, snap gauges, length and height standards, and dial gauges, as well as pressure gauges up to 10,000 psi.

105-07204/

Dimensional Inspection

ITC's inspection capabilities include a Numerex coordinate measurement machine (CMM) and a FaroArm portable multi-axis measurement arm. Inspection services include detailed physical inspection of parts, comparison of components to CAD drawings and specifications, reverse engineering of assemblies, and part-to-part comparisons.

Machine/Product Design

ITC's advanced modelling and analytical software allows us to undertake a wide range of design activities. This includes the 3D design of components and complex assemblies, structural analysis, and modelling of parts to predict their performance. Prototypes are manufactured at ITC, or if required, in cooperation with local machine shops.

Custom Data Acquisition

ITC provides solutions to automate data collection and control processes using National Instruments hardware and LabView software.

Noise Measurement and Control

ITC can identify and analyze excessive noise problems in the workplace and develop noise control solutions. We also perform building acoustic studies, and environmental assessments of noise levels using SoundPLAN noise modelling software.

Vibration Measurement and Control

We help determine the causes of excessive vibration in equipment and structures and identify remediation measures. This service is valuable for product testing, equipment balancing, acceptance testing for compliance to vibration tolerance limits, and measurement and analysis of vibration from hand tools and other devices.

Custom Engineering

ITC assembles teams to troubleshoot processes and equipment, carry out complex engineering projects, design and fabricate custom testing equipment, or develop other innovative technical solutions.

The market for Engineering services is primarily manufacturing companies in Manitoba. SCC and CLAS accreditations, ISO 9001 registration, and rapid turnaround times are distinct competitive advantages.

Document Examination Services (DES)

Document Examination Services provides security and quality assurance evaluations of instant scratch off and break open lottery tickets, customized research programs to assist lotteries in evaluating new products and technologies, and evaluations of questioned documents.

Services are provided to lottery jurisdictions in Canada, the U.S. and overseas. ITC is the sole commercial Canadian laboratory providing these services.

Virtual Reality Centre (VRC)

The Virtual Reality Centre is a state-of-the-art facility that uses virtual modelling technology to facilitate improved:

- Product design and development, process re-engineering, urban planning, and architectural design
- Product marketing
- Development of software for specific engineering applications

The VRC is the only one of its kind in Canada that has been established to address industry needs on a fee for service basis. The Centre is designed to provide access to technologies that will enable companies to attain a competitive advantage in global markets.

"I believe they're a valuable group to the local economy and we look forward to working with them in the future."

Client survey response

2.1 Sector Highlights

ITC made a significant impact in many different sectors during FY 2004/2005. Some sample projects are highlighted below:

Aerospace

Calibration, material testing, and vibration measurement support our clients' quality control systems, and contribute to improved design and safety.

- Tested new advanced composite materials for the Aerospace industry.
- Tested properties of aircraft components using the salt spray booth.

Agribusiness and Food

Material testing, inspection, and machine design services result in innovative products.

- Analyzed stress on a tractor fuel tank using strain gauges.
- Assisted client in determining the strength of a prototype livestock trailer.
- Conducted drop testing of different brands of fall-limiting devices, which are attached to safety harnesses used by workers in grain elevators.

Building, Architecture and Construction

Noise and vibration analysis, material testing, and visualization improve design and enable prevention and remediation of problems.

- Assessed the impact of noise between floors of a warehouse / condominium conversion project.
- Secured the support of Manitoba Hydro's Research and Development Committee to fund a project to demonstrate the use and effectiveness of advanced visualization and virtual reality as part of the new Downtown Office Building project.
- Measured noise levels in a building near a flight path to determine the effect of air traffic noise on business operations.

Energy

Data acquisition, calibration, machine design, noise analysis and material testing support Manitoba Hydro's infrastructure.

- Conducted noise measurements of a transformer to ensure that the product meets ANSI standards.
- Installed a prototype vibration recorder, developed by ITC, on a hydro transmission line. Field tests indicate successful operation.
- Tested the material properties of a laminated wood beam used in transmission poles.

Environment and Resources

Material testing, Finite Element Analysis, and noise control services improve equipment used in the resource sector, and remediate noise problems.

- Carried out Finite Element Analysis of a drill system component that is exported worldwide.
- Simulated future highway traffic noise resulting from highway expansion and its potential impact on area residents.
- Upgraded an automated force measurement system on compression testing equipment used by a Manitoba Government soil laboratory.

" My thanks to you and all in DES for the way you have responded to my request and the quick turnaround. It has certainly eased the pressure at this end!"

John Branscombe
CAMELOT GROUP PLC

Health

roduct development services improve the esign of equipment and processes used in he health sector.

- Configured a new data acquisition system for a medical company that conducts research into human disease treatment and prevention.
- Explored opportunities to apply visualization technology in the medical and life science communities.

Manufacturing

ll engineering services support clients' uality systems, improve products and rocesses, enhance productivity, and foster he adoption of advanced technology.

- Captured 3D data of a foam instrument panel to create a digital model for production of a motor home dashboard.
- Conducted Finite Element Analysis of a plastic component to determine whether it could replace a steel product. This helped a Manitoba manufacturer expand into new markets.
- Conducted vibration analysis for the manufacturer of ventilation fans used in locomotives. Determined that modifications to the fan housing would reduce vibration and potential failure.
- Performed dimensional inspection of electric motor coils for a local manufacturer.
- Tested PVC fence panelling under simulated wind loading conditions for a Manitoba manufacturer that exports products throughout North America.
- Utilized the FaroArm to conduct dimensional inspection of a boat hull. The resulting data enabled the manufacturer to improve production processes and quality control.

Printing

Dimensional inspection and calibration services contribute to process improvement.

- Inspected a perforator cylinder, examining proper alignment of cutting blades, to ensure consistent perforation of a product on long print runs.
- Calibrated items used for quality control of a printing process.

Public Infrastructure

Engineering and VRC services help support public infrastructure through improved design.

- Continued discussion with the Manitoba Floodway Expansion Authority (MFEA) to determine how the VRC could be used to model portions of an expanded floodway.
- Inspected the wheel bearings of a military vehicle to determine the reason for failure.
- Performed noise measurements of an HVAC system at a military barrack.
- Tested a component used in military applications under high heat and humidity conditions to ensure the item met specifications.

Transportation

Custom data acquisition, dimensional calibration and inspection, material testing, and noise control services support clients' quality systems, evaluate components, and improve products and processes.

- Conducted bus noise measurements to ensure client specifications were met.
- With the assistance of the Vehicle Technology Centre (VTC), ITC acquired equipment to undertake corrosion testing for the vehicle manufacturing sector.
- Conducted dimensional inspection and material testing of parts for a bus manufacturer.

"I find them to be very responsive and the local service they provide meets our needs."

Client survey response

"Thanks for your assistance with taking all the measurements and extracting the necessary data.

The aircraft noise measurements and analysis that Dr. Jeongsoo Park and Dale Kellington compiled made an important contribution to the decision on where to locate our new communications centre."

Roland Gibson
City of Winnipeg
Civic Accommodations Division

- Conducted flammability tests of vehicle flooring material to ensure SAE (Society of Automotive Engineers) standards are met.
- Conducted a plant noise survey and personal noise dose measurements for a coach manufacturer. Produced a noise map to determine specific noise sources.
- Enabled a component supplier to improve their documentation and help ensure that their product will meet specifications of a bus manufacturer.
- Inspected parts of a steering mechanism to qualify a supplier for a bus manufacturer.
- Performed window tests to ensure compliance with Motor Vehicle Safety Standards (MVSS).

Wood Products

Dimensional inspection, material and product testing services support product improvement.

- Conducted force tests on counter top trim for a cabinet manufacturer.
- Helped a furniture manufacturer ensure their product meets standards for shelving loads.
- Evaluated a sliding hardware component for a furniture manufacturer. Developed a custom test to determine the strengths and weaknesses of the component to improve product quality.
- Tested various glues under extreme high temperature for a wood cabinet manufacturer.

Partnerships in Research and Development

- Participating in the potential establishment of the I-CAN (Innovation Canada) Network, along with four other provincial research organizations. I-CAN is a "virtual network" providing companies access to specialized facilities and expertise for technology development.
- The VRC continues to pursue collaboration with other organizations. Recent efforts have focused on building relationships and establishing links with academic institutions, including the University of Manitoba (Engineering, Architecture) and Red River College (Civil and Mechanical).

Training and Skill Development

- Participated in a work program that enabled high school students to "job shadow" in the Engineering area.
- Commenced training of students from the University of Manitoba and Red River College in the use and understanding of advanced visualization and virtual reality.

Technology Awareness

- Attended seminars to become a certified trainer in areas of "Lean" manufacturing. Subjects included Lean product design, Lean product development and Lean innovation.
- In collaboration with other organizations, held the 2004 3D Modelling, Visualization and Simulation Conference in Winnipeg. This conference delivered technical presentations and case studies to attendees from a wide range of industrial sectors.
- ITC's Library and Technical Information Services continues to see an increase in the use of the collection due, in part, to the addition of materials on advanced and lean manufacturing. Of particular interest have been the videos and CD-ROM materials which many clients are using for education and training purposes.
- Produced monthly issues of the Innovation & Technology Watch.
- Produced biweekly issues of the Advanced Manufacturing News.
- Partnered in bringing a technology awareness session on advanced composites to Manitoba's manufacturing sector.

- The VRC participated in a seminar on digital manufacturing at SmartPark. This seminar focused on tools that are currently available to support advanced manufacturing.

2.2 Results

ES&T supports ITC for its economic development activities under the Economic Development Contribution Agreement (EDCA). In accordance with specified performance areas, customer and economic development impacts are measured using in-depth interviews with representative clients.

Performance Areas and Goals

Economic Development
To support and contribute to economic development in Manitoba

Customer
To sustain and enhance client relationships by providing high-quality, valued technical services

Internal Business Processes
To identify and apply appropriate technologies

Learning and Growth
To cultivate a work environment that promotes employee achievement, creativity, initiative and growth

Financial
To achieve long-term economic viability

Economic Development

ITC clients reported the following impacts in FY 2004/2005:

Impact of ITC Services

New Jobs Created ***48***

Jobs Saved/Maintained ***193***

The total of 241 jobs created or saved represents $8.6 million in wages based on an average annual manufacturing salary of $35,678 (July 2003, Manitoba Bureau of Statistics)

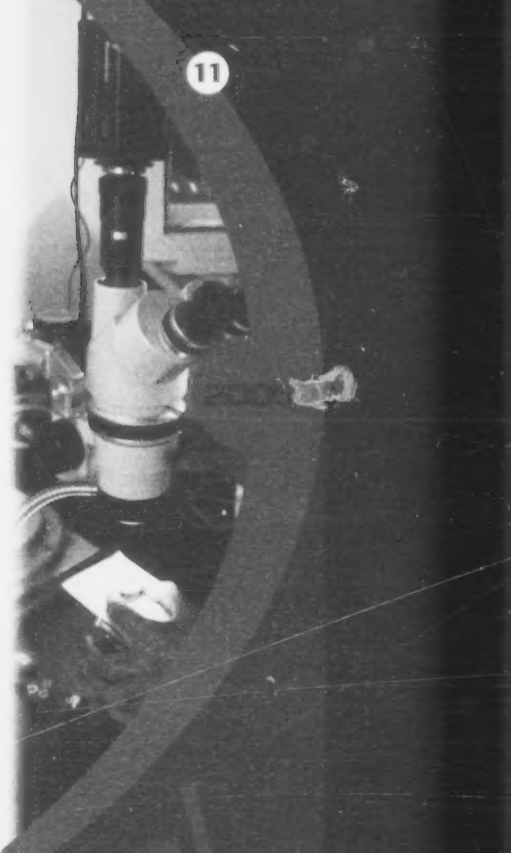
Sales Increase . . . . . ***$3.6 million***

Cost Savings Identified . . . ***$1.5 million***

Investment Increases . . . . . ***$1.0 million***

Influence on client objectives . . . . . ***89% of respondents reported that ITC had a positive impact on their organization.***

These results are compiled from 67 client responses. No attempt has been made to extrapolate the impacts for ITC's entire project client base (approximately 270 clients).



"Very helpful, friendly staff, easy to work with. They're the only Standards Council accredited lab in Manitoba."

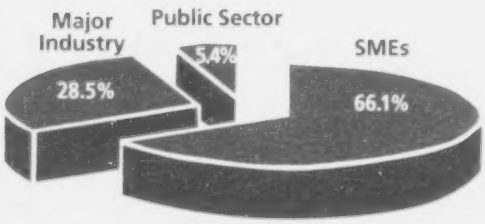
Client survey response

Customer

ITC maintains a system for capturing specific client satisfaction and other information, and results indicate very high satisfaction with our overall project performance.

- Since inception as an SOA, **over 95% of clients report that ITC has had a positive impact and contributed towards their goals.**
- Latest survey results indicate that **97% of clients are satisfied and would use ITC again.**

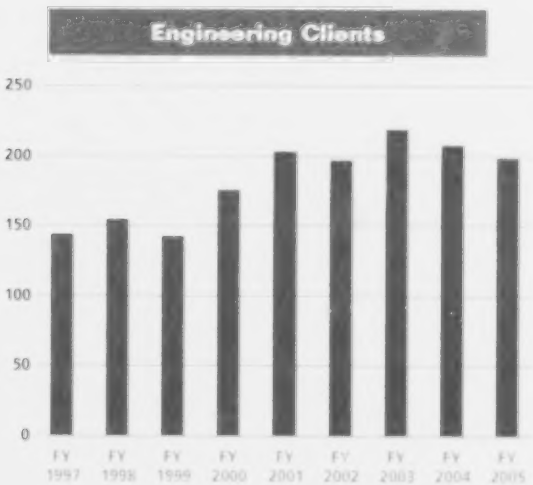
ITC's customer base consists of the following:



SMEs (small and medium-sized enterprises) include manufacturers with fewer than 50 employees, consulting engineers, small service organizations and individual entrepreneurs.

Client satisfaction results, as compared to previous years, are presented as follows:

The client reach for Engineering services has increased since inception as an SOA, as indicated by the following chart:



" Their contribution is very significant. We have a list of projects we need to do and ITC makes them very achievable."

Client survey response

Internal Business Processes

ITC continues to maintain ISO 9001 registration, with the following quality policy:

" The Industrial Technology Centre (ITC) will provide cost-effective, value-added technical services which will meet the commitments made to its customers."

- ITC is in the process of implementing its strategic plan in support of the Province's "Innovation Framework". This plan anticipates that ITC will play a key role in the implementation and success of the Province's "Advanced Manufacturing Initiative (AMI)" – the AMI has been developed by Energy, Science and Technology, in cooperation with Industry, Economic Development and Mines (along with partners from education and industry), and is aimed at improving the productivity of manufacturers.
- ITC maintains Standards Council of Canada (SCC) accreditation in the materials testing laboratory, and Calibration Laboratory Assessment Service (CLAS) accreditation for the calibration laboratory.

Learning and Growth

- ITC's Work Environment Committee (WEC) continues to help ensure the contribution of all staff towards a positive work environment and successful business operations.
- ITC continues to recognize the contribution employees have made through awards for excellence and long-term service, and conducting team-building exercises.
- ITC has undertaken significant professional development activities in the past year including training in design software, testing, and lean manufacturing.

Financial

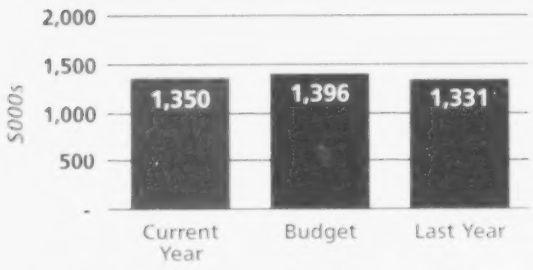
ITC has now completed its ninth year of operation as an SOA. As anticipated, financial results show a net loss for the year, resulting from a reduction in Provincial funding. ITC has focused efforts on expanding client reach and reducing expenditures.

$000s	Current Year	Budget	Variance to Budget	Last Year	Variance to Last Year
Province of Manitoba	450	450	-	750	(300)
Fee for service	1,350	1,396	(46)	1,331	19
Other	47	30	17	51	(4)
Total revenue	1,847	1,876	(29)	2,132	(285)
Salaries and benefits	1,435	1,472	(37)	1,348	87
Other operating expenses	761	774	(13)	795	(34)
Total expense	2,196	2,246	(50)	2,143	53
Net income (loss)	**(349)**	**(370)**	**21**	**(11)**	**(338)**

" We have continued to use the ITC newsletter, books and videos from the library in leading our people in the direction of Lean Manufacturing. If the ITC library doesn't have what we are looking for, Betty will find it. Thanks so much for your help these past years."

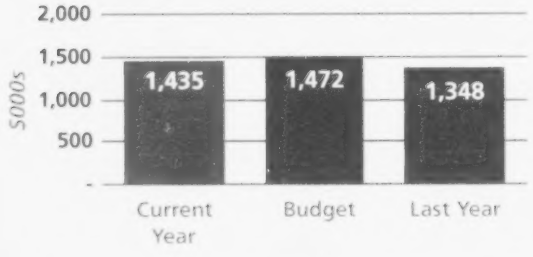
Donna Koslowsky
PERIMETER INDUSTRIES

Fee for Service



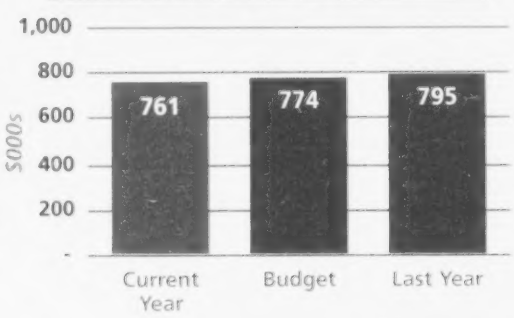
Fee for service revenue has increased as compared to last year, primarily due to increases in VRC, and Library and Technical Information Services, offset by small decreases in other areas.

Salaries and Benefits



Salaries were lower than budget due to one position being filled half time, and another being filled at a lower pay scale. The increase in salaries as compared to last year is primarily due to the implementation of the general pay increase, keeping salaries aligned with Provincial scales.

Other Operating Expenses



The decrease in other operating expenses arises primarily from efforts in cost reduction.

The results given in this annual report for FY 2004/2005 indicate that ITC has continued to demonstrate sound management, and has achieved recognition for the value and impact of its economic development activities. With the continued support of all stakeholders, ITC will meet the challenges resulting from an ever-changing business environment.

"ITC conducted material testing that saved us the cost of buying our own equipment."

Client survey response

May 19, 2005

For the year ended March 31, 2005

The accompanying financial statements of the Industrial Technology Centre are the responsibility of management and have been prepared by ITC in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 19, 2005.

Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements, and properly safeguard ITC's assets.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management,

T. J. Cornell

Trevor Cornell
Chief Operating Officer

David Olafson
Manager, Corporate Services

" We're very happy with the quality of service and their professionalism."

Client survey response

Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the **Industrial Technology Centre** as at March 31, 2005 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants
Winnipeg, Manitoba
May 19, 2005

As at
March 31, 2005

Balance Sheet
IN THOUSANDS

	2005	2004
ASSETS		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (note 3)	$ 615	$ 847
Accounts receivable	248	234
Prepaid expenses	18	17
	881	1,098
Due from Province of Manitoba (note 5)	103	103
Capital assets (notes 2 and 4)	481	522
	$ 1,465	$ 1,723
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 364	$ 289
Severance liability (note 5)	192	176
	556	465
EQUITY		
Contributed equity (note 6)	62	62
Retained earnings	847	1,196
	909	1,258
	$ 1,465	$ 1,723

The accompanying notes are an integral part of these financial statements.

For the year ended March 31, 2005

Statement of Earnings and Retained Earnings

IN THOUSANDS

	2005	2004
REVENUE		
Province of Manitoba	$ 450	$ 750
Fee for service	1,350	1,331
Other	47	51
	1,847	2,132
OPERATING EXPENSES		
Advertising and promotion	81	95
Amortization	142	166
Audit and legal	10	5
Bad debts	3	7
Building maintenance	38	42
Computer	20	12
Equipment	21	39
Fees and memberships	20	18
Heat and electricity	37	33
Insurance	50	52
Library operations	33	24
Office	54	52
Professional development	24	3
Project supplies and subcontract	70	96
Purchased services	13	5
Rent and property tax	121	121
Salaries and benefits	1,435	1,348
Travel	24	25
	2,196	2,143
Net earnings (loss)	(349)	(11)
Retained earnings at beginning of period	1,196	1,207
Retained earnings at end of period	$ 847	$ 1,196

The accompanying notes are an integral part of these financial statements.

For the year ended March 31, 2005

Statement of Cash Flow

IN THOUSANDS

	2005	2004
Cash derived from (applied to):		
OPERATING ACTIVITIES		
Net earnings (loss)	$ (349)	$ (11)
Items not involving cash		
Amortization	142	166
Loss on disposal	-	-
	(207)	155
Changes in non-cash working capital balances		
Accounts receivable	(14)	(108)
Prepaid expenses	(1)	8
Accounts payable and accrued liabilities	75	30
Severance liability	16	16
	(131)	101
INVESTING ACTIVITIES		
Acquisition of capital assets	(101)	(16)
Net increase (decrease) in cash and cash equivalents	(232)	85
Cash and cash equivalents at beginning of period	847	762
Cash and cash equivalents at end of period	$ 615	$ 847
Represented by:		
Cash and bank	$ 25	$ 38
Funds on deposit with the Minister of Finance	590	809
	$ 615	$ 847
Interest revenue included in cash flow from operating activities	$ 15	$ 20

The accompanying notes are an integral part of these financial statements.

For the year ended March 31, 2005

Notes to Financial Statements
IN THOUSANDS

1 Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Energy, Science and Technology under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations and has access to a working capital loan. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Energy, Science and Technology assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Energy, Science and Technology defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2 Significant Accounting Policies

Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Capital assets

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

Furniture and fixtures	20%, declining balance
Office and laboratory equipment	20%, declining balance
Computer equipment and software	20%, straight-line
Leasehold improvements	20%, straight-line

Financial instruments

The Agency's financial instruments consist of cash and funds on deposit, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Revenue recognition

Province of Manitoba funding is recognized over the term for which it applies. Fees for service are recognized as the service is performed.

For the year ended
March 31, 2005

Notes to Financial Statements

IN THOUSANDS

3 Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2005 working capital advances were nil (2004 – nil). The line bears interest at prime less 1% and is not secured by specific assets.

4 Capital Assets

	2005		2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	$ 4	$ 3	$ 4	$ 2
Office and laboratory equipment	829	513	780	447
Computer equipment and software	466	321	414	256
Leasehold improvements	49	30	49	20
	$ 1,348	$ 867	$ 1,247	$ 725
Net book value		$ 481		$ 522

5 Severance Pay Benefits

Effective April 1, 1998, ITC began recording accumulated severance pay benefits for its employees. The estimate of the liability was based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $103 was completely offset by a receivable from the Province. The receivable from the Province, or portion thereof, for the Industrial Technology Centre, will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of the Industrial Technology Centre.

An actuarial valuation report of ITC's severance as at March 31, 2000 has been completed. The report provides a formula to update the liability on an annual basis. ITC's liability has been calculated in accordance with this formula.

6 Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

7 Commitment

The Agency will be relocating to SmartPark, near the University of Manitoba, with an anticipated occupancy of August 2005.

The Agency currently occupies and has a lease agreement for rental of the facilities at 1329 Niakwa Road East, Winnipeg, Manitoba. The lease terms at 1329 Niakwa Road will be on a month-to-month basis, at the same rate as FY 2005, until such time that ITC relocates to SmartPark.

The Agency has entered into a lease agreement for the rental of a new building at SmartPark, estimated at 23,852 square feet. Of this space, ITC will occupy 18,826 square feet, with 5,026 square feet being sublet to the Composites Innovation Centre (CIC). Occupancy costs pertaining to the CIC will be recoverable from them. This ten-year lease requires future lease payments as follows:

	ITC	CIC	Total
Year 1	$ 159	$ 42	$ 201
Year 2	168	45	213
Year 3	178	47	225
Year 4 - 10	187	50	237

It is antipicated that the SmartPark lease will commence in August 2005.

8 Pension Benefits

In accordance with the provisions of the Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expense by the Centre for 2005 is $68 (2004 - $63).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

9 Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

10 Public Sector Compensation

Pursuant to The Public Sector Compensation Disclosure Act, employees of ITC who have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2005, are disclosed in the Special Operating Agency Financing Authority (SOAFA) annual report. This compensation information is also available in ITC's Library.

Staff as at March 31, 2005

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Trevor Cornell, B.Sc. (Hons., M.E.), C.Eng., P.Eng.

Betty Dearth, B.A., M.I.L.S.

Sandra Fotty, B.A.

Danny Fredette, Journeyman Machinist

Daniel Godin, Dip. Mech. Eng. Tech., C.E.T.

Sandra Graff

Dale Kellington, B.Sc.

Dragomir Kojic, C.E.T.

Judith Lesprance

Shawna Levesque, Clerical Bookkeeping Certificate

Stephen McKendry-Smith, Dip. Biological Tech.

David Olafson, B.Sc., B. Comm. (Hons.), C.G.A., C.C.P.

Jeongsoo Park, B.Sc., M.Sc., Ph.D. (M.E.), P.Eng.

Tim Peters

Gord Pizey, B.Sc. (M.E.), M.Sc, P.Eng.

Sharon Ratushniak

Tony Robak, Millwright, C.Tech.

David St. Jean, Management Studies Certificate

Myron Semegen, C.E.T.

Michael Thomlinson, B.Sc. (M.E.), M.Sc. (I.E.), P.Eng.

Nigel Wooler, M.C.P.

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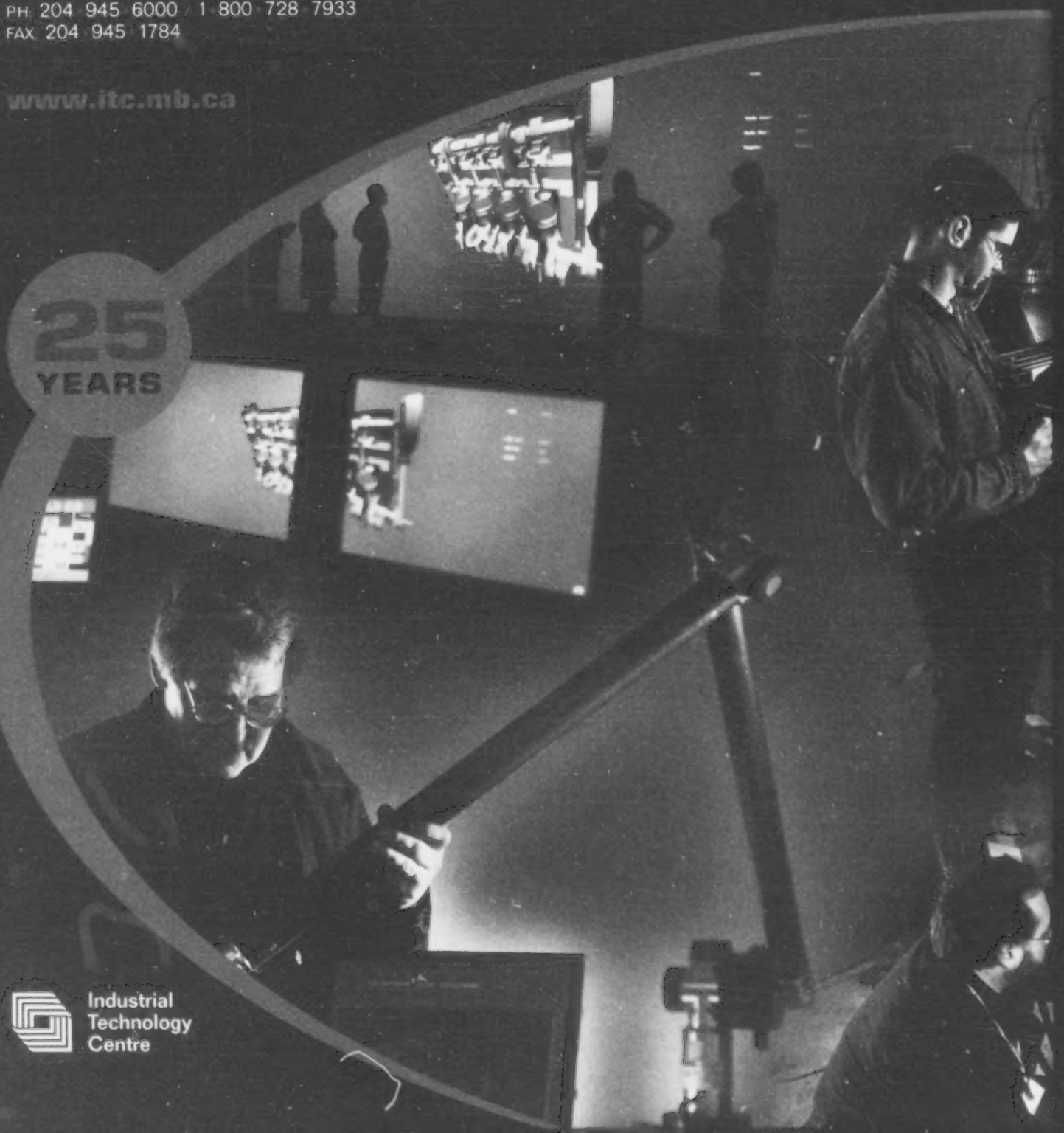

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